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Grain and Feed Update 2017

Corn is King – U.S. Corn Exports to Jordan Hitting 150,000 MT

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Report Highlights:

FAS Amman (Post) forecasts Jordan's wheat imports in MY 2017/18 to reach 1.1 million metric tons (MT). U.S.-origin imports will come in the 150,000-250,000 MT range. U.S.-origin imports may increase if Jordanian banks register for the USDA-FAS Export Credit Guarantee Program (GSM-102). Post forecasts barley consumption in MY 2017/18 to decrease to 800,000 MT, dropping 110,000 MT due to a decrease in sheep exports to the Gulf Cooperation Council countries. Post forecasts corn imports in MY 2017/18 to drop to 600,000 MT. U.S.-origin corn imports will be up and come in at 150,000 MT. Post forecasts rice imports in MY 2017/18 at 210,000 MT; the United States will remain Jordan's top rice supplier with 100,000 MT.

Executive Summary:

Jordan's economy is among the smallest in the Middle East. It lacks sufficient supplies of water, oil, and natural resources, underlying the Jordanian government's reliance on foreign assistance. Jordan's central location makes it strategically important to the United States, its main ally; Jordan's policies remain pro-western and pro-Gulf Arab. The kingdom maintains good relations with western and Gulf Arab states for security and now increasingly for economic reasons.

Jordan is a water resource poor country, one of the poorest in the world. Water scarcity seriously limits the country's ability to grow crops to feed a population of 10.2 million (Central Intelligence Agency – July 2017 estimate). The country's domestic production of cereals (e.g., wheat) is negligible. The civil war in neighboring Syria has resulted in the influx of 650,000 UN-registered refugees (over 80 percent live in Jordan's urban areas). Jordan's census puts the numbers of refugees at 1.3 million (as of early 2016). Resolution of the Syrian and Iraqi conflicts should reopen border crossings and transit routes, increasing produce exports.

The country suffers from high rates of poverty compounded by unemployment and underemployment. The agriculture sector relies heavily on foreign workers; there are 1.4 million foreign workers in Jordan, 70 percent of these are unauthorized. The Jordan Valley Farmers' Union claims that in 2016, two-thirds of farm lands have laid fallow since the government ceased granting work permits. The reopening of the land border with Iraq in September 2017 is prompting export minded farmers to lobby the government for new work permits. The Ministry of Agriculture is contemplating to increase foreign worker permit numbers.

FAS Amman forecasts Jordan's wheat imports in marketing year (MY) 2017/18 to reach 1.1 million metric tons (MMT). U.S.-origin imports will come in around the 150,000-250,000 metric ton (MT) range. Imports from the United States may increase if Jordanian banks register for the USDA-Foreign Agricultural Service's Export Credit Guarantee Program (GSM-102), especially if they offer their clients reduced interest rates compared to normal loan practices. Clarifying grain inspection standards and unifying sampling procedures among the interagency inspection committees at the port-of-discharge stand to ease imports if implemented.

FAS Amman forecasts Jordan's barley consumption in MY 2017/18 to decrease to 800,000, dropping 110,000 MT due to a decrease in sheep exports to the Gulf Cooperation Council (GCC) countries. Romania, Russia, and Ukraine remain Jordan's key suppliers of wheat and barley.

Post forecasts Jordan's corn imports in MY 2017/18 to drop to 600,000 metric tons. U.S.-origin corn imports will be up and come in at 150,000 metric tons. Corn imports and consumption overall are forecast to drop in MY 2017/18 due to the poultry sector's correction in the wake of its overexpansion coupled with low prices since marketing year 2015/16.

FAS Amman forecasts Jordan's rice imports in MY 2017/18 at 210,000 metric tons. The United States will remain the country's top rice supplier with 100,000 metric tons. However, U.S. rice market share is contracting as a result of low cost India's entry into the market.

WHEAT Production

FAS Amman forecasts Jordan's wheat production in marketing year (MY) 2017/18 at 25,000 metric tons (MT), largely unchanged from our earlier MY 2016/17 estimate. Jordan is not a significant producer of wheat.

Consumption

FAS Amman forecasts Jordan's wheat consumption in MY 2017/18 at 1.1 million metric tons (MMT). Wheat consumption in previous years has experienced unprecedented growth due to the influx of refugees displaced by the civil war in neighboring Syria. Jordan currently has a population of over 10.2 million (Central Intelligence Agency – July 2017 estimate); this estimate has been revised upwards to reflect assumptions about the net migration rate due to the increased flow of Syrian refugees. Prior to 2012, Jordan had a population of 6.2 million. The country has also experienced an influx of Egyptian, Yemeni, and Libyan nationals in recent years.

The Syrian conflict has led to the influx of 650,000 UN-registered refugees (over 80 percent live in Jordan's urban areas). Jordan's census puts the numbers of refugees closer to 1.3 million (as of early 2016). Resolution of the Syrian and Iraqi conflicts should lead to the reopening of border crossings and export transit routes. It will also facilitate the return of refugees to their home countries.

Trade:

FAS Amman forecasts Jordan's wheat imports in MY 2017/18 to reach 1.1 MMT, a figure largely in line with forecasted consumption rates. Wheat imports are seen in MY 2017/18 to grow by roughly 173,000 MT, or nearly 19 percent compared to the previous marketing year. The Black Sea region, primarily Romania will remain Jordan's main wheat supplier. Post does not currently foresee new imports from the United States in MY 2017/18 given continued low cost Black Sea region wheat prices.

Stocks:

FAS Amman forecasts Jordan's MY 2017/18 beginning stocks at 395,000 metric tons. Jordan's Ministry of Industry and Trade (MIT) confirmed recently that its wheat stocks are sufficient to last a full year at current consumption rates. Jordan will import 1.1 MMT of wheat; half of this amount is already contracted for and being shipped. Regional instability has impacted Jordanian food security; a decade ago Jordan was poised to privatize its imported wheat purchases. The government has moved from maintaining four-months of stocks to now banking no less than 10-months of stocks.

Sources comment that the government is finalizing its silo capacity expansion project; it aims to increase overall capacity by 225,000 metric tons. Silo capacity expansion for the final 100,000 MT is currently under construction. Expanded silo capacity is meant to help alleviate tight storage capacity, which will help to better ensure food security. Aqaba's new port terminal, where the silo expansion work is being concentrated, received its first delivery of Romanian wheat (48,000 MT) in early March 2017.

Policy:

Jordan's Ministry of Industry and Trade lowered by three percent the sale price of subsidized flour to bakeries in July 2017. The price charged for 80-percent milled flour earmarked for baladi bread (i.e., traditional/ local) production fell by \$2.50 to \$81.80/ metric ton; the market price for similar wheat flour is roughly \$350 per metric ton. The discount aims to compensate bakers for an earlier hike this year in fuel prices. The ministry reviews on a monthly basis subsidized bread production input costs (including labor, fuel, and electricity costs), as well as bakers' margins. The ministry fixes the sale price of subsidized baladi bread at \$226/MT of bread (or \$0.226/kilogram); this action allows it to manipulate input costs.

All consumers in Jordan (regardless of nationality or residence status) are entitled to subsidized baladi bread (as part of the unified bread – *mowahad* program), paying currently about \$0.226 per kilogram. The Government of Jordan has allocated \$200 million to the subsidized baladi bread program in calendar year (CY) 2017. There is no limitation to the amount of bread that can be bought by an individual. There are indications that the government may seek to change its policy regarding this costly program fraught with market anomalies.

Marketing:

The Jordanian Ministry of Industry and Trade is the country's largest wheat importer, selling imported foreign wheat to local millers at a non-commercially competitive government set price. This official price is based on a moving average of the inventoried wheat's cost, including purchasing, storage, and transportation costs. Jordanian millers sell the flour to bakers under the ministry's supervision.

Production, Supply and Demand Data Statistics:

Wheat Market Begin Year Jordan	2015/2016		2016/2017		2017/2018	
	Jul 2015		Jul 2016		Jul 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	20	0	20	20	15	20
Beginning Stocks	491	491	668	628	395	395
Production	25	25	25	25	20	25
MY Imports	1377	1337	977	927	1300	1100
TY Imports	1377	1337	977	927	1300	1100
TY Imp. from U.S.	143	95	169	100	0	0
Total Supply	1893	1853	1670	1580	1715	1520
MY Exports	10	10	10	10	10	10
TY Exports	10	10	10	10	10	10
Feed and Residual	15	15	15	18	15	20
FSI Consumption	1200	1200	1250	1157	1300	1100
Total Consumption	1215	1215	1265	1175	1315	1120
Ending Stocks	668	628	395	395	390	390
Total Distribution	1893	1853	1670	1580	1715	1520
Yield	1.25	0	1.25	1.25	1.3333	1.25
(1000 HA) ,(1000 MT) ,(MT/HA)						

Millers sell the flour to bakers at two prices. All-purpose flour is sold at a market price; which incorporates milling fees. Subsidized flour is sold at a deeply discounted price that can be as low as \$50/MT on occasion. The Ministry of Industry and Trade subtracts the cost of the subsidy from the subsidized flour upon invoicing the mills.

It is estimated that the difference between the two prices represent a loss of over \$100 million. Sources attribute the losses to program mismanagement and abuse. Subsidized flour accounts for up to 90 percent of the country's total wheat consumption.

BARLEY

Production:

Jordan's production of barley is negligible. Barley's main use is for animal fodder.

Consumption:

FAS Amman forecasts Jordan's barley consumption in MY 2017/18 to drop to 800,000 metric tons. Post attributes the drop in consumption to the economic slowdown in the Gulf Cooperation Council (GCC) countries, induced by the continued low barrel price of oil. The Gulf Cooperation Council countries, Saudi Arabia in particular, are a key export destination market for Jordan's prized "Awassi" sheep (used both for meat and milk production). We anticipate that Jordan will export around 380,000 head of sheep (harmonized tariff code – HS 010410) in CY 2017, down some 40,000 animals compared to the previous year and off by 220,000 head from CY 2015's numbers. This represents an export loss of roughly \$13 million (unit price equal to \$327/head, 2013 latest reported figure); Jordanian sheep farmers are downsizing their herds in response. Jordan will continue to import lower priced sheep from Australia, New Zealand, and Romania to meet its domestic needs.

Barley is used mainly as sheep fodder, and to a lesser extent in dairy cattle and poultry feed rations. Post has observed barley use dropping since Jordan implemented in 2012 an animal tagging/ registration system. Currently shepherds receive subsidized barley according to the actual number of tagged animals, which is limited to 10 head of sheep. Jordanian sheep farmers reportedly attempt to circumvent the limitation by splitting up herds among family members.

Trade:

FAS Amman forecasts Jordan's total imports in MY 2017/18 to reach 800,000 MT; the country aims to align its stock levels with consumption. The Black Sea region, primarily Romania remains Jordan's main barley supplier (followed by Russia and Ukraine). Post does not foresee any new imports from the United States in marketing year 2017/18. Jordan has not imported U.S.-origin barley now for over a decade.

The Government of Jordan is the country's main importer of barley, and sets the domestic sell price. The government's price is usually an average of different origins and delivery dates, plus storage and handling costs, minus the subsidized discount, which is usually in the order of \$10-50 per metric ton. To minimize the potential for profiteering, the system contemplates the use of arbitrage when significant price swings occur. Traders have been known to attempt to take advantage of price swings to undercut the government's set price.

Stocks:

FAS Amman forecasts Jordan's beginning barley stocks in MY 2017/18 at 190,000 metric tons. Post does not anticipate any major changes in the government's policy; inventory levels will remain stable (i.e., maintain at least 10-months of stocks at current consumption levels). We foresee a drop in import and consumption numbers as a consequence of lower regional demand for Jordanian export sheep. Sheep farmers are scaling back (export) herd production numbers due to the economic slowdown in the importing Gulf Cooperation Council countries. Ending barley stocks in MY 2017/18 are forecast at 210,000 metric tons.

Policy:

Only sheep and goat farmers receive subsidized (discounted) barley. The subsidy program excludes cattle and poultry farmers since these subsectors are considered industries. The government's animal tagging/ registration project has established a reliable ruminant animal database, replacing the previous outdated and often questionable animal census.

Marketing:

The Jordanian Ministry of Industry and Trade is the country's main importer of Barley. The ministry solicits bids through traders that meet stipulated standards. Once foreign barley is purchased by the ministry, it sells this commodity at a subsidized price to herders.

Production, Supply and Demand Data Statistics:

Barley Market Begin Year	2015/2016		2016/2017		2017/2018	
	Jul 2015		Jul 2016		Jul 2017	
Jordan	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	30	30	25	25	25	25
Beginning Stocks	505	505	401	401	297	190
Production	30	30	30	30	20	20
MY Imports	796	796	786	669	700	800
TY Imports	902	902	750	750	700	800
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	1331	1331	1217	1100	1017	1010
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	930	930	920	910	800	800
FSI Consumption	0	0	0	0	0	0
Total Consumption	930	930	920	910	800	800
Ending Stocks	401	401	297	190	217	210
Total Distribution	1331	1331	1217	1100	1017	1010
Yield	1	1	1.2	1.2	0.8	0.1053

(1000 HA) ,(1000 MT) ,(MT/HA)

CORN

Production:

Jordan's corn production is negligible, annual production is under 10,000 metric tons. Domestic corn is used almost exclusively for human consumption as corn on the cob.

Consumption:

FAS Amman forecasts Jordan's corn consumption in MY 2017/18 at about 635,000 MT, dropping 41,000 MT or six percent from the previous marketing year. The drop in consumption is attributed to the poultry sector's correction in the wake of its overexpansion in CY 2013-14, coupled with persistent low prices induced by oversupply since marketing year 2015/16. The large integrators are trying to curb production; however, product continues to be sold below production cost.

Sources comment that the Jordanian poultry sector's expansion has been a mistake. Investment in the sector is valued at \$3-4 billion, making it Jordan's largest agri-business. The increase in the number of producers (especially smaller ones) has led to oversupply and low prices. FAS Amman has seen egg production grow by over 60 percent in the past two years (almost 1 billion eggs are now being produced annually). We hear that the industry aims to cut production by 10-15 percent in the short-term; expecting that the market will normalize by the middle of MY 2018/19 as smaller producers drop out.

Trade:

FAS Amman forecasts Jordan's corn imports in MY 2017/18 to drop to 600,000 MT, down 80,000 MT or about 12 percent compared to the previous marketing year. Imports are forecast to drop in MY 2017/18 in line with the drop in consumption.

Post has been instrumental in ensuring and expanding market access for U.S. grains, namely corn. U.S. corn exports to Jordan thus far in CY 2017 total \$26.3 million, up nearly 400 percent from this time last year. However, these shipments often contend with poorly coordinated inspection and sampling procedures at the port-of-discharge; improper sampling is responsible for elevating the permissible percentage of broken kernels, potentially resulting in unmerited shipment rejections. In April 2017, through post's intervention the rejection of two U.S. corn shipments (60,000 MT - \$12 million) were overturned. Post is working with its interlocutors at the Ministries of Agriculture, Trade, and the Jordan Food and Drug Authority to clarify grain inspection standards and unify sampling procedures among the interagency inspection committees at the port-of-discharge to ease imports.

The Jordan-U.S. Free Trade Agreement no longer provides a tariff advantage for U.S.-origin corn; all corn imports are tariff exempt today. Argentina and Brazil currently supply 90 percent of all imports; the United States comes in third with a market share of about seven percent. Argentine and Brazilian corn exporters ship smaller volumes (i.e., 10,000-15,000 MT range), which often (cash-strapped) Jordanian importers prefer.

FAS Amman nonetheless anticipates that U.S.-origin corn imports will grow, reaching in MY 2017/18 about 150,000 metric tons. As recently as MY 2015/16, U.S.-origin corn imports were just 28,000

metric tons. Post attributes the recent surge in U.S.-origin corn's imports to more competitive prices compared to those of South American producers.

Stocks:

Only nominal amounts of corn are stored on-farm by poultry farmers to meet their monthly needs. FAS Amman observes that in Jordan there is a lack of adequate storage. This dearth of storage is a key reason why traders often prefer to source smaller shipments in the range of 10,000-15,000 metric tons. New silos are however being built at the port of Aqaba (225,000 MT) and just south of Amman (120,000 MT), which will help increase storage capacity.

Policy:

Jordan does not place restrictions on the corn trade. Specifications for corn are similar to current U.S. standards. Issues that have arisen pertain to excessive broken kernels; consignments with breakage above 7.5 percent may face rejections. Corn shipments that exceed the established maximum-residue-limit (MRL) for aflatoxins, which is equivalent to the U.S. standard, are also subject to rejection.

Marketing:

Corn in Jordan is imported and distributed through private sector traders. Corn is usually unloaded directly to trucks that deliver it immediately to dairy and poultry farms.

Production, Supply and Demand Data Statistics:

Corn Market Begin Year	2015/2016		2016/2017		2017/2018	
	Oct 2015		Oct 2016		Oct 2017	
Jordan	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1	0	1	0	1	1
Beginning Stocks	61	61	56	67	36	55
Production	10	0	10	10	10	10
MY Imports	820	817	1100	680	1000	600
TY Imports	820	817	1100	680	1000	600
TY Imp. from U.S.	29	28	0	100	0	150
Total Supply	891	878	1166	757	1046	665
MY Exports	25	40	25	26	25	20
TY Exports	25	40	25	26	25	20
Feed and Residual	800	771	1095	671	970	600
FSI Consumption	10	0	10	5	0	5
Total Consumption	810	771	1105	676	970	635
Ending Stocks	56	67	36	55	51	40
Total Distribution	891	878	1166	757	1046	665
Yield	10	0	10	0	10	10

(1000 HA) ,(1000 MT) ,(MT/HA)

RICE, MILLED

Production:

Jordan is one of the world's driest countries. As such it has one of the lowest levels of per capita water availability in the world (150 cubic meters (m³) per annum). The Syrian crisis has now dramatically increased the country's population (which is expected to double by 2047), making meeting water demand even more critical. Shifting precipitation patterns in the region are aggravating the situation where already more than 90 percent of rainfall evaporates or runs off. With groundwater being utilized by some estimates at twice the rate of recharge, and agriculture accounting for half of the water supply's consumption, Jordan is shying away from production of high-water demanding rice.

Consumption:

FAS Amman forecast Jordan's rice consumption in MY 2017/18 at 210,000 MT, an increase of 1,000 MT or just one percent from the previous marketing year. The increase is in line with the country's population growth of 2.1 percent (Central Intelligence Agency - July 2017 estimate).

Rice is a staple of the Jordanian diet. Average annual consumption is about 24 kg per person. Camolino rice (medium-grain) is the preferred variety (and constitutes over 50 percent of all imports. Long grain white rice, basmati, and jasmine rice are also imported to a lesser extent. Rice consumption normally increases during the run up to parliamentary elections; political candidates tend to sponsor large feasts where rice is served to lure electoral support.

Trade:

FAS Amman forecast Jordan's imports in MY 2017/18 to reach 210,000 MT, largely unchanged from the previous marketing year. The United States will remain the country's top rice supplier. Imports of U.S.-origin rice is expected to drop slightly to 100,000 MT, but still account for nearly 50 percent of market share. U.S.-origin rice's market share is contracting slightly as a result of low cost India's entry into the market.

Other major rice suppliers include the India, Thailand and Australia. The bulk of Asian-origin rice is lower cost long-grain white rice. Aromatic and basmati rice, which command a premium over medium-grain rice, are also imported but in lesser quantities. Long-grain rice's market share has grown from less than 25 percent to around 30 percent over the last five years.

Sources comment that although U.S.-origin rice is relatively higher in cost, the U.S. rice industry's market development efforts are paying dividends. Jordanian consumers have developed a strong preference for U.S.-origin rice, despite higher prices.

Stocks:

The rice trade is handled exclusively by the private sector. There is no government policy currently on maintaining strategic stocks for this commodity. FAS Amman finds that only minimal rice stocks exist.

Policy:

Jordan does not place restrictions on the rice trade. Specifications for rice are similar to current U.S. standards. The Jordan-U.S. Free Trade Agreement no longer provides a tariff advantage for U.S.-origin rice; all rice imports are tariff exempt today.

Marketing:

Rice in Jordan is imported and distributed through private sector traders. These will package the rice and supply retailers

Production, Supply and Demand Data Statistics:

Rice, Milled Market Begin Year Jordan	2015/2016		2016/2017		2017/2018	
	Jan 2016		Jan 2016		Jan 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	0	0	0	0	0	0
Beginning Stocks	17	17	16	20	0	20
Milled Production	0	0	0	0	0	0
Rough Production	0	0	0	0	0	0
Milling Rate (.9999)	0	0	0	0	0	0
MY Imports	200	205	210	210	0	210
TY Imports	200	205	210	210	0	210
TY Imp. from U.S.	102	102	0	100	0	100
Total Supply	217	222	226	230	0	230
MY Exports	0	1	0	1	0	1
TY Exports	0	1	0	1	0	1
Consumption and Residual	201	201	208	209	0	210
Ending Stocks	16	20	18	20	0	19
Total Distribution	217	222	226	230	0	230
(1000 HA) ,(1000 MT)						